

January 14, 2000

MORTGAGEE LETTER 00-04

TO: ALL APPROVED MORTGAGEES

SUBJECT: Single Family Loan Production - FHA Mortgage Insured
Financing for the Construction of Storm Shelters

As part of HUD/FHA's continuing efforts to be responsive to public safety concerns, starting immediately the Department will allow borrowers to include windstorm shelters as an eligible work item for FHA 203(k) rehabilitation loans and FHA 203(b) financed new construction.

Design and Construction Issues: The Federal Emergency Management Agency (FEMA), in cooperation with the Wind Engineering Research Center of Texas Tech University, has developed designs for windstorm shelters inside single family homes. FEMA has also prepared ***Taking Shelter From the Storm: Building a Safe Room Inside Your House (FEMA 320)*** to help borrowers and builders construct the shelters. Shelters financed with FHA insured mortgages **must be constructed** consistent with FEMA 320 guidelines and the National Performance Criteria for Tornado Shelters (see FEMA website www.fema.gov/mit/tsfs01.htm). Therefore:

- The shelter must be adequately anchored to resist overturning and uplift.
- The walls, ceiling, and door of the shelter must withstand wind pressure and resist penetration by windborne missiles and falling objects.
- The connections between all parts of the shelter must be strong enough to resist the wind forces without failing.
- If sections of either interior or exterior house walls are used as walls of the shelter, they must be separate from the structure of the house, so that damage to the house will not cause damage to the shelter.

Refer to the FEMA website for specific requirements, including revisions to them.

Mortgage Calculation: In determining the maximum mortgage amount, the costs of construction to build the shelter must be fully supported by the property valuation. In addition, the cost of the shelter may not exceed \$5,000.

Compensation Factors: Because the addition of a storm shelter can be expected to add value to the property, lenders should give particular weight to the 'compensating factors' allowable in justifying approval of 203(b) and 203(k) loans with ratios exceeding HUD/FHA guidelines (Handbook 4155.1 REV-4, Chg 1.

Certification: Lenders must obtain, and include in the loan file, a written statement from the builder certifying that the shelter's construction complies with FEMA 320 and the National Performance Criteria for Tornado Shelters.

This mortgagee letter applies specifically to the financing of windstorm shelter construction for FHA insured loans under Title II Sections 203(b) and 203(k) of the National Housing Act. However, Title II lenders, who also hold HUD approval to originate Title I Home Improvement Loans, should be aware that windstorm shelters have long been eligible construction items for Title I insured financing.

If you have any questions, please contact your local Homeownership Centers in Atlanta (1-888-696-4687), Philadelphia (1-800-440-8647), Santa Ana (1-888-827-5605) or Denver (1-800-543-9378).

Sincerely,

William C. Apgar
Assistant Secretary for Housing-
Federal Housing Commissioner